

Message Text

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16

ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 NEA-09 IO-10 H-01 L-02 PRS-01

PA-01 USIA-06 SP-02 AID-05 EB-07 NSC-05 CIEP-01 SS-15

STR-01 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 AGR-05 /100 W

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P 050624Z MAR 75

FM AMEMBASSY RANGOON

TO SECSTATE WASHDC PRIORITY 9237

INFO AMEMBASSY MANILA PRIORITY

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FOR NAC AGENCIES

MANILA FOR USADB

E.O. 11652: N/A

TAGS: EAID EFIN BM

SUBJ: PROPOSED ADB TECHNICAL ASSISTANCE TO BURMA FOR FOREST
INDUSTRIES PROJECT

REF: (A) MANILA 2517; (B) EAL

1. SUMMARY: EMBASSY RECOMMENDS FAVORABLE NAC ACTION ON SUBJECT PROJECT. PROPOSED TECHNICAL ASSISTANCE COMPLEMENTS IDA FORESTRY PROJECT NOW BEING IMPLEMENTED WITHOUT STRAINING BURMA'S CAPACITY TO ABSORB ASSISTANCE FOR TIMBER INDUSTRY. BURMA'S FOREST RESERVES PRESENTLY UNDER-UTILIZED AND OUTPUT COULD BE VASTLY EXPANDED WITH NO DANGER OF OVERCUTTING. INCREASED TIMBER PRODUCTION WOULD ASSIST BURMA'S ECONOMIC DEVELOPMENT AND ADD TO WORLD SUPPLIES OF TIMBER.

2. BURMA'S FOREST RESOURCES PRESENTLY UNDER-UTILIZED DUE LARGELY TO PRIMITIVE EXTRACTION AND PROCESSING METHODS. TEAK EXTRACTION IN
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BURMA IS ONLY ABOUT 75 PERCENT OF ESTIMATED ANNUAL AMOUNT WHICH

MAY BE HARVESTED ON BASIS OF MINIMUM SUSTAINED YIELDS IN PERPETUITY. FOR OTHER HARDWOODS THE AVERAGE YEARLY AMOUNT EXTRACTED IS LESS THAN HALF THE ANNUAL ALLOWABLE CUT. THUS, THERE IS NO REPEAT NO EVIDENCE OF OVERCUTTING AND TIMBER PRODUCTION CAN BE GREATLY EXPANDED WITHOUT DANGER OF OVERCUTTING.

3. AS RESULT OF POOR RICE COLLECTIONS IN PAST SEVERAL YEARS, TIMBER, BY DEFAULT, HAS BECOME BURMA'S PRIMARY SOURCE OF FOREIGN EXCHANGE EARNINGS. HOWEVER, TIMBER PRODUCTION STAGNATING AND BURMA'S TIMBER INDUSTRY MUCH IN NEED OF MODERNIZATION IF PRODUCTION IS TO BE MAINTAINED OR EXPANDED.

4. ALTHOUGH PRICES FOR TROPICAL HARDWOODS HAVE SOFTENED IN PAST YEAR, LONG-TERM OUTLOOK IS FOR INCREASED DEMAND. DEMAND FOR TEAK HAS HELD UP AND BURMA WHICH HAS VIRTUAL MONOPOLY ON WORLD'S HIGH-QUALITY TEAK RESERVES CANNOT SUPPLY PRESENT WORLD REQUIREMENTS. EXPANSION OF BURMA'S TIMBER CAPACITY COULD, THEREFORE, HELP BOOST THE COUNTRY'S FOREIGN EXCHANGE EARNINGS AND PERHAPS MAKE A POSITIVE CONTRIBUTION TO ECONOMIC DEVELOPMENT WITHOUT ENDANGERING BURMA'S FOREST RESERVES. INCREASED TIMBER PRODUCTION WOULD ALSO HELP RELIEVE WORLD DEMAND, PARTICULARLY FOR TEAK.

5. PROPOSED ADB TECHNICAL ASSISTANCE FOR IN-DEPTH STUDY OF FOREST INDUSTRY IS THUS VERY TIMELY AND PROVIDED THE TWO INTERNATIONAL LENDING INSTITUTIONS CAN COORDINATE THEIR ACTIVITIES, IT WILL COMPLEMENT PRESENT IDA FORESTRY PROJECT. THE ADB STUDY CONCENTRATES IN A DIFFERENT GEOGRAPHIC AREA FROM THE IDA PROJECT AND IT SHOULD PROVIDE SOLID BASIS FOR FUTURE INVESTMENT PROGRAMS IN THE AREA WITHOUT STRAINING PRESENT CAPACITY OF BURMA'S TIMBER INDUSTRY TO ABSORB ASSISTANCE. EMBASSY THEREFORE RECOMMENDS FAVORABLE NAC ACTION ON PROPOSED TECHNICAL ASSISTANCE PROGRAM.

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